

## Message Text

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PAGE 01 QUITO 02446 172324Z  
ACTION EB-08

INFO OCT-01 ARA-06 ISO-00 SSO-00 NSCE-00 USIE-00  
INRE-00 ERDA-05 AID-05 CEA-01 CIAE-00 COME-00  
DODE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00  
NSC-05 OMB-01 PM-04 OES-06 SP-02 SS-15 STR-04  
TRSE-00 ACDA-07 FEA-01 XMB-02 /090 W  
-----172330Z 117020 /61

O R 172140Z APR 77  
FM AMEMBASSY QUITO  
TO SECSTATE WASHDC NIACT IMMEDIATE 3939  
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2446

FOR DELIVERY OPENING OF BUSINESS APRIL 18

E.O. 11652: GDS  
TAGS: EINV, ENRG, PFOR, EC  
SUBJECT: GULF-GOE NEGOTIATIONS: GOE DROPS DEMAND FOR LETTER OF  
CREDIT

1. BEGIN SUMMARY. THE GOE HAS DROPPED ITS DEMAND FOR A  
LETTER OF CREDIT TO COVER GULF'S OBLIGATION UNDER DECREE 285  
AND AGREED ALTERNATIVELY TO OFFSET CEPE'S DEBTS FOR  
INTERNAL CONSUMPTION CRUDE AGAINST GULF'S 285 OBLIGATION.  
GOE ALSO AGREED TO MANY OF GULF'S PROPOSED CHANGES IN THE  
"ACTA" TO SETTLE DECREE 285 BUT INSISTED THAT THE DIRECTORATE  
OF HYDROCARBONS WOULD HAVE FINAL APPROVAL OVER AUDIT  
OF THE DECEMBER 31 STOCK POSITION. GULF HAS DECIDED TO  
PROPOSE THAT THE STOCK POSITION BE INCLUDED IN THE "ACTA"  
RATHER THAN MAKE IT SUBJECT TO AUDIT, BUT THIS CONCESSION  
HAS NOT YET BEEN COMMUNICATED TO THE GOE. GULF STILL  
ANTICIPATES DISPUTE OVER THE PRICE GULF WILL PAY  
CEPE FOR THE SHORTFALL AND THE PIPELINE AND TRANSPORT  
CHARGES CEPE WILL PAY GULF. GULF HOPES TO CONTINUE  
DISCUSSIONS APRIL 17 ON FINAL DRAFT OF "ACTA." END SUMMARY.  
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2. GOE AND GULF HELD LENGTHY MEETING EVENING OF APRIL 15  
TO DISCUSS TERMS AND AMOUNT OF GULF'S LETTER OF CREDIT  
TO THE GOE WHICH HAD BEEN REQUESTED BY GOE SUBSECRETARY  
OF NATURAL RESOURCES PARODI TO COVER THE DIFFERENCE  
BETWEEN GULF'S OUTSTANDING OBLIGATION OF DECREE 285  
(846,000 BARRELS) AND THE AMOUNT OF CRUDE THAT CEPE HAS

ALREADY LIFTED. WHEN IT APPEARED THAT GULF AND THE GOE COULD NOT AGREE ON MEANS OF ACTIVATION FOR THE LETTER OF CREDIT, GULF SUGGESTED OFFSETTING GULF'S POTENTIAL OBLIGATION AGAINST CEPE'S LONG-OVERDUE DEBTS FOR PURCHASE OF DOMESTIC CONSUMPTION CRUDE. LOCAL GULF MANAGER JACK O'BRIEN REPORTED TO CHARGE THAT THE "GOE JUMPED ON THIS IDEA," AND GULF OFFICIALS IN CORAL GABLES HAVE READILY AGREED TO THE CHANGE.

3. THE GOE ALSO AGREED TO MANY OF GULF'S PROPOSED CHANGES IN THE "ACTA" TO SETTLE DECREE 285 IN THE APRIL 15 MEETING BUT INSISTED THAT THE DIRECTORATE OF HYDROCARBONS WOULD HAVE FINAL APPROVAL OF THE AUDIT ON THE DECEMBER 31 STOCK POSITION. LOCAL GULF MANAGER O'BRIEN TOLD CHARGE MORNING OF APRIL 17 THAT GULF ATTORNEY LUCAS AND GULF VICE PRESIDENT MCNAULTY (WHO ARRIVED IN QUITO THIS MORNING) HAVE DECIDED TO CONCEDE THIS POINT AND INCLUDE THE STOCK POSITION IN THE "ACTA" RATHER THAN MAKING IT SUBJECT TO AUDIT. GULF BELIEVES IT CAN REACH AN AGREEMENT UPON A FIGURE WITH THE GOE FOR THE STOCKS. O'BRIEN REPORTED, HOWEVER, THAT GULF EXPECTS CONSIDERABLE DIFFICULTY IN REACHING AGREEMENT ON THE AMOUNT TO BE PAID CEPE FOR THE SHORTFALL AS WELL AS ON THE COST OF PRODUCTION AND TRANSPORT THAT CEPE MUST PAY GULF. LUCAS ALSO WANTS MORE DETAIL IN THE "ACTA" TO COVER VARIOUS LEGAL POINTS.

4. GULF OFFICIALS ARE NOW DISCUSSING "ACTA" AND HOPE TO BE READY TO RESUME DISCUSSIONS WITH THE GOE AFTERNOON OF APRIL 17. GENERAL DURAN'S PROJECTED SIGNING OF THE CONFIDENTIAL

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JANUARY AGREEMENT ON APRIL 18 WILL NOT BE MET.  
CORR

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NATIONALIZATION, COMPENSATION, DISPUTE SETTLEMENT, NEGOTIATIONS, DEBT REPAYMENTS, LETTERS OF CREDIT  
**Control Number:** n/a  
**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
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**Enclosure:** n/a  
**Executive Order:** GS  
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**Subject:** GULF-GOE NEGOTIATIONS: GOE DROPS DEMAND FOR LETTER OF CREDIT  
**TAGS:** EINV, ENRG, PFOR, PGOV, EC, US, GULF OIL COMPANY, CEPE-STATE OIL CORPORATION  
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**Review Markings:**  
Margaret P. Grafeld  
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22 May 2009  
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